

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY SEOUL

UNCLAS STATE 230355

E.O. 11652: N/A

ETRD, EFIN, KS

SUBJ: EXIMBANK FINANCING FOR SSANGYONG CEMENT

REF: SEOUL 7444

1. THE FINANCING PACKAGE IS STRUCTURED SO THAT THE NON-GUARANTEED FINANCING IS REPAID IN THE FIRST 2.47 INSTALLMENTS BEGINNING OCTOBER 20, 1978, WITH THE GUARANTEED FINANCING REPAID IN THE OTHER PART OF THE THIRD INSTALLMENT THROUGH PART OF THE TENTH INSTALLMENT, WITH THE EXIMBANK PAID IN PART OF THE TENTH THROUGH THE FOURTEENTH INSTALLMENT. THE GUARANTEE IS OFFERED TO INDUCE THE COMMERCIAL BANKS TO GO OUT BEYOND FIVE YEARS ON REPAYMENT, WHICH IS PROBABLY THEIR LIMIT ON NON-GUARANTEED FINANCING IN KOREA. IT IS UP TO SSANGYONG AS TO WHETHER OR NOT IT WANTS TO UTILIZE THE GUARANTEE. HOWEVER, WE SUGGEST THAT SSANGYONG MAKE NO DECISION ON THIS UNTIL IT IS WELL INTO NEGOTIATIONS WITH THE COMMERCIAL BANKS.

2. IN AN EXCHANGE OF LETTERS THE EXIMBANK HAS DISCUSSED WITH THE DEPUTY PRIME MINISTER THE POSSIBILITY OF UTILIZING THE KOREA UNCLASSIFIED

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DEVELOPMENT BANK AS A GUARANTOR OF EXIMBANK FINANCING. AS YOU

MAY KNOW, WE HAVE ACCEPTED THE KOREA EXCHANGE BANK AS A GUARANTOR
BECAUSE THE GOVERNMENT HAS ESTABLISHED TO OUR SATISFACTION THAT
ITS GURANTEE OBLIGATIONS ARE BACKED BY THE FULL FAITH AND CREDIT
OF THE GOVERNMENT OF KOREA. AS OF THIS DATE THAT IS NOT TRUE IN
THE CASE OF THE DEVELOPMENT BANK. WE HAVE TALKED ABOUT THE
PROBLEM AT SOME LENGTH WITH SSANGYONG OFFICIALS STATING THAT
THE GUARANTEE OF THE KOREA EXCHANGE BANK WILL BE REQUIRED.
KISSINGER

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